

The State of Delaware

Group Health Insurance Plan Financial Update

February 11, 2019

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Today's discussion

- ESI pharmacy renewal proposal (preliminary)
- GHIP long-term health care cost projections
 - FY19 recast and FY20 projection (FY19 Q2 update)
 - Use of surplus and premium rate increases
 - Long-term health care cost projections and illustrative FY20 rates
- Revisit financial subcommittee recommendations for FY20
- Appendix

ESI pharmacy renewal – One year proposal

Overview

- The State engaged Willis Towers Watson to support the evaluation and negotiation of a one-year extension for the ESI Commercial and EGWP pharmacy contracts
 - The State has a traditional pricing arrangement for both contracts with 100% pass-through of rebates
 - The current Commercial contract terminates 6/30/2019
 - The current EGWP contract terminates 12/31/2019
- In December 2018, ESI submitted preliminary one-year renewal offers for both the Commercial and EGWP populations
 - Commercial renewal period: 7/1/2019 – 6/30/2020
 - EGWP renewal period: 1/1/2020 – 12/31/2020
- The preliminary renewal yields \$14.5M savings over the current pharmacy contract terms and these savings have been incorporated into the latest GHIP FY20 financial projections
- ESI provided a best and final offer on 1/29/2019 and Willis Towers Watson is in the process of reviewing the most recent offer
 - Any additional savings from more favorable pricing terms will also be incorporated into FY20 financial projections

ESI pharmacy renewal – One year proposal

Summary of projected FY20 contract savings (initial offer)

- Overall, ESI's initial renewal proposals are projected to reduce pharmacy allowed spend by \$21.7M for the respective one-year contract periods compared to the current contract pricing terms
 - Commercial renewal offer is projected to reduce allowed pharmacy claims by \$4.5M (2.7%) and increase rebates by \$7.1M, yielding \$11.6M gross savings for the period 7/1/2019 – 6/30/2020
 - EGWP renewal offer is projected to reduce allowed pharmacy claims by \$6.0M (4.1%) and increase rebates by \$4.1M, yielding \$10.1M gross savings for the period 1/1/2020 – 12/31/2020
- Estimated total reduction of \$14.5M in GHIP pharmacy plan cost for FY20 (\$9.5M Commercial, \$5.0M EGWP)

ESI One Year Renewal Offer (\$M)	Commercial Population FY20		EGWP Population CY20	
	\$ Savings	% Savings	\$ Savings	% Savings
Initial Proposal				
Rx allowed cost savings before rebates¹ <i>Reduction in allowed charges</i>	\$4.5	2.7%	\$6.0	4.1%
Rx allowed cost savings incl. rebates² <i>Reduction in allowed charges + improved rebates</i>	\$11.6	8.6%	\$10.1	8.0%
FY20 plan cost reduction³ <i>FY20 budget impact</i>	\$9.5		\$5.0	

¹Estimated savings for each respective contract period using allowed claims (plan and member cost sharing combined), utilization, and enrollment data for the period 11/1/2017 – 10/31/2018 and composite annual pharmacy trend rate of 6-7% (varying by generic, brand, and specialty drug categories)

² Estimated Rx allowed cost savings per footnote 1 plus estimated increase in rebates based on current drug mix; rebate improvements shown are above any anticipated rebate over-performance (true-up) for current contract

³ Estimated reduction in GHIP pharmacy plan cost (net of member cost sharing) for the period 7/1/2019 – 6/30/2020 based on the pricing assumptions outlined in the Appendix

GHIP long term health care cost projections (FY19 Q2 update)

FY19 recast and FY20 projection

- Willis Towers Watson (WTW) revised GHIP financial projections based on updated claims experience through December 2018 (FY19 Q2):
 - Recast FY19 budget of \$829.8M is down 0.4% from previous FY19 Q1 update of \$833.0M
 - Projected FY20 budget of \$868.0M is down 2.1% from FY19 Q1 update of \$886.3M
 - Projected FY20 budget represents a 4.6% increase over FY19 budget recast

Component (\$ millions)	Description	FY19	FY20
FY19 Q1 Budget (Operating Expenses – Other Revenue)		\$833.0	\$886.3
Claims Experience	Claims experience updated through FY19 Q2	(\$7.3)	(\$9.1)
Enrollment	Expected claims increase due to growth in covered population (offset by removal of POS population)	\$5.7	\$5.7
ESI Contract Renewal – Pricing Improvements (Preliminary)	Expected plan savings due to reduction in pharmacy claims and increased rebate performance	-	(\$14.5)
Updated EGWP Projections	Revised EGWP projections based on recent ESI payments and changes in the Medicare population (FY19 includes ESI projected 2018 federal reinsurance true-up payment)	(\$1.6)	(\$0.4)
FY19 Q2 Budget (Operating Expenses – Other Revenue)		\$829.8	\$868.0

- Additional proposed and approved program changes resulting in FY20 savings opportunities not included in the FY19 recast or FY20 GHIP Operating Expenses, but outlined in the long-term projection exhibit include:
 - Implementation of SurgeryPlus site-of-care steerage: \$500k savings **(approved)**
 - Implementation of Highmark infusion therapy steerage program: \$2.0M savings **(proposed)**
 - Implementation of Livongo diabetes prevention services: \$720k savings **(proposed)**
 - Site of care steerage copay changes : \$6.9M savings **(proposed)**

GHIP long term health care cost projections (FY19 Q2 update)

Use of surplus and premium rate increases

- Based on the previous financial projections as of Q1, the GHIP was projected to end FY19 with a \$48.1M surplus
 - Recommended **3.2% premium increase** effective 7/1/2019, assuming no change to reserve methodology and smoothing surplus over two years
- Based on revised financial projections as of Q2, GHIP is projected to end FY19 with a \$52.2M surplus
 - Smoothing the surplus over two years (\$26.1M in FY20, \$26.1M in FY21) suggests a **0.8% premium increase** effective 7/1/2019
- Maintaining baseline premium increase of 2% effective 7/1/2019 reduces the FY20 projected surplus to \$36.1M
- The following pages show the revised long term projections reflecting claims data through Q2 and preliminary ESI pharmacy contract renewal under two premium rate increase scenarios:
 - 2.0% increase effective 7/1/2019 (\$36.1M projected surplus through end of FY20)
 - 0.8% increase effective 7/1/2019 (\$26.1M projected surplus through end of FY20)
- Additional scenarios are shown in the Appendix for reference:
 - 3.2% increase effective 7/1/2019 based on the FY19 Q1 financial projections (\$24.1M projected surplus through end of FY20) – **originally presented on 1/14/2019**
 - 5% increase effective 7/1/2019, in line with national health care trend

GHIP long term health care cost projections (FY19 Q2 update¹)

Subcommittee recommendations including FY20 program changes and 2% annual premium increase

FY20 reflects employee contribution increases of \$0.56 – \$5.46 per month (\$6.72 – \$65.52 per year) and State subsidy increases of \$13.35 – \$35.73 per employee per month (\$160.20 – \$428.76 per year) effective 7/1/2019

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected ¹	FY20 Projected ^{1,8}	FY21 Projected ⁸	FY22 Projected ⁸	FY23 Projected ⁸
Average Enrolled Members	123,132	125,488	126,198	128,722	131,296	133,922	136,600
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$815.7	\$830.0	\$846.6	\$863.5	\$880.8
2.0% Premium Increase 7/1/2019	-	-	-	\$16.6	\$33.9	\$52.5	\$72.2
Other Revenues ³	\$81.6	\$92.1	\$90.2	\$107.4	\$115.1	\$123.3	\$132.1
Total Operating Revenues	\$880.6	\$903.0	\$905.9	\$954.0	\$995.6	\$1,039.3	\$1,085.1
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$816.8	\$853.9	\$920.0	\$975.4	\$1,044.7	\$1,118.9	\$1,198.3
% Change Per Member	1.8%	2.6%	7.1%	3.9%	5.0%	5.0%	5.0%
FY20 Program Changes ⁵				(\$9.6)	(\$10.1)	(\$10.6)	(\$11.1)
Excise Tax Liability ⁶						\$9.1	\$16.3
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	(\$14.1)	(\$11.7)	(\$39.0)	(\$78.1)	(\$118.4)
Balance Forward	\$38.9	\$102.7	\$151.8	\$137.77	\$126.02	\$87.0	\$8.9
Ending Balance	\$102.7	\$151.8	\$137.8	\$126.02	\$87.02	\$8.9	(\$109.4)
- Less Claims Liability ⁷	\$54.0	\$58.9	\$61.3	\$64.4	\$69.0	\$74.5	\$80.2
- Less Minimum Reserve ⁷	\$24.0	\$24.0	\$24.3	\$25.5	\$27.3	\$29.5	\$31.6
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$52.2	\$36.1	(\$9.3)	(\$95.1)	(\$221.2)

Note: FY17 actual based on final June 2017 Fund Equity report; FY18 actual based on final June 2018 Fund Equity report; projected operating expenses based on experience through FY19 Q2; FY19 enrollment as of December 2018; numbers in table may not add up due to rounding

¹ Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018 and implementation of SurgeryPlus COE effective 7/1/2019; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection).

² Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23.

³ Includes Rx rebates, EGWP payments, other revenues; FY20 and beyond includes estimated improvements in Rx rebates based on preliminary ESI FY20 renewal; includes fees for participating non-State groups (assumed to increase proportionally with membership growth and health care trend).

⁴ FY20 and beyond includes estimated reduction in pharmacy claims as a result of preliminary ESI FY20 renewal.

⁵ Includes estimated savings attributable to recommended changes eff. 7/1/2019: site-of-care steerage (\$6.9m), Highmark infusion therapy (\$2.0m), and Livongo (\$0.7m); assumed to increase annually with trend

⁶ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

⁷ FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

⁸ FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

FY20 monthly rates and employee/retiree contributions

Illustrative: **2.0%** increase effective 7/1/2019

FY20 reflects employee contribution increases of \$0.56 – \$5.46 per month (\$6.72 – \$65.52 per year) and State subsidy increases of \$13.35 – \$35.73 per employee per month (\$160.20 – \$428.76 per year) effective 7/1/2019

	FY 2019			FY 2020 with 2.0% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$709.27	\$28.40	\$680.87	\$0.56	\$6.72	\$13.35	\$160.20
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,467.45	\$58.67	\$1,408.78	\$1.15	\$13.80	\$27.62	\$331.44
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,078.16	\$43.11	\$1,035.05	\$0.85	\$10.20	\$20.29	\$243.48
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,834.39	\$73.36	\$1,761.03	\$1.44	\$17.28	\$34.53	\$414.36
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$734.07	\$36.70	\$697.37	\$0.72	\$8.64	\$13.67	\$164.04
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,522.06	\$76.07	\$1,445.99	\$1.49	\$17.88	\$28.35	\$340.20
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,121.55	\$56.06	\$1,065.49	\$1.10	\$13.20	\$20.89	\$250.68
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,933.65	\$96.68	\$1,836.97	\$1.90	\$22.80	\$36.01	\$432.12
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$740.46	\$48.10	\$692.36	\$0.94	\$11.28	\$13.58	\$162.96
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,561.19	\$101.49	\$1,459.70	\$1.99	\$23.88	\$28.62	\$343.44
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,132.73	\$73.62	\$1,059.11	\$1.44	\$17.28	\$20.77	\$249.24
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,948.02	\$126.60	\$1,821.42	\$2.48	\$29.76	\$35.72	\$428.64
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$809.74	\$107.28	\$702.46	\$2.10	\$25.20	\$13.78	\$165.36
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,680.29	\$222.63	\$1,457.66	\$4.37	\$52.44	\$28.58	\$342.96
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,247.93	\$165.32	\$1,082.61	\$3.24	\$38.88	\$21.23	\$254.76
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,100.59	\$278.32	\$1,822.27	\$5.46	\$65.52	\$35.73	\$428.76

GHIP long term health care cost projections (FY19 Q2 update¹)

FY20 program changes, smoothing surplus over 2 years, **+0.8% premium increase in FY20 (+2% FY21+)**

FY20 reflects employee contribution increases of \$0.22 – \$2.18 per month (\$2.64 – \$26.16 per year) and State subsidy increases of \$5.34 – \$14.30 per employee per month (\$64.08 – \$171.06 per year) effective 7/1/2019

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected ¹	FY20 Projected ^{1,8}	FY21 Projected ⁸	FY22 Projected ⁸	FY23 Projected ⁸
Average Enrolled Members	123,132	125,488	126,198	128,722	131,296	133,922	136,600
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$815.7	\$830.0	\$846.6	\$863.5	\$880.8
0.8% Premium Increase 7/1/2019 (+2% FY21+)	-	-	-	\$6.6	\$33.9	\$52.5	\$72.2
Other Revenues ³	\$81.6	\$92.1	\$90.2	\$107.4	\$115.1	\$123.3	\$132.1
Total Operating Revenues	\$880.6	\$903.0	\$905.9	\$944.0	\$995.6	\$1,039.3	\$1,085.1
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$816.8	\$853.9	\$920.0	\$975.4	\$1,044.7	\$1,118.9	\$1,198.3
% Change Per Member	1.8%	2.6%	7.1%	3.9%	5.0%	5.0%	5.0%
FY20 Program Changes ⁵				(\$9.6)	(\$10.1)	(\$10.6)	(\$11.1)
Excise Tax Liability ⁶						\$9.1	\$16.3
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	(\$14.1)	(\$21.8)	(\$39.0)	(\$78.1)	(\$118.4)
Balance Forward	\$38.9	\$102.7	\$151.8	\$137.8	\$116.0	\$77.0	(\$1.1)
Ending Balance	\$102.7	\$151.8	\$137.8	\$116.0	\$77.0	(\$1.1)	(\$119.5)
- Less Claims Liability ⁷	\$54.0	\$58.9	\$61.3	\$64.4	\$69.0	\$74.5	\$80.2
- Less Minimum Reserve ⁷	\$24.0	\$24.0	\$24.3	\$25.5	\$27.3	\$29.5	\$31.6
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$52.2	\$26.1	(\$19.3)	(\$105.1)	(\$231.3)

Note: FY17 actual based on final June 2017 Fund Equity report; FY18 actual based on final June 2018 Fund Equity report; projected operating expenses based on experience through FY19 Q2; FY19 enrollment as of December 2018; numbers in table may not add up due to rounding

¹ Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018 and implementation of SurgeryPlus COE effective 7/1/2019; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection).

² Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23.

³ Includes Rx rebates, EGWP payments, other revenues; FY20 and beyond includes estimated improvements in Rx rebates based on preliminary ESI FY20 renewal; includes fees for participating non-State groups (assumed to increase proportionally with membership growth and health care trend).

⁴ FY20 and beyond includes estimated reduction in pharmacy claims as a result of preliminary ESI FY20 renewal.

⁵ Includes estimated savings attributable to recommended changes eff. 7/1/2019: site-of-care steerage (\$6.9m), Highmark infusion therapy (\$2.0m), and Livongo (\$0.7m); assumed to increase annually with trend

⁶ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

⁷ FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

⁸ FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

FY20 monthly rates and employee/retiree contributions

Illustrative: **0.8%** increase effective 7/1/2019

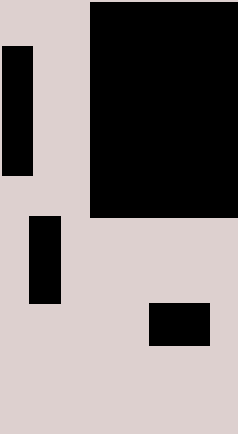
FY20 reflects employee contribution increases of \$0.22 – \$2.18 per month (\$2.64 – \$26.16 per year) and State subsidy increases of \$5.34 – \$14.30 per employee per month (\$64.08 – \$171.06 per year) effective 7/1/2019

	FY 2019			FY 2020 with 0.8% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$700.92	\$28.06	\$672.86	\$0.22	\$2.64	\$5.34	\$64.08
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,450.19	\$57.98	\$1,392.21	\$0.46	\$5.52	\$11.05	\$132.60
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,065.48	\$42.60	\$1,022.88	\$0.34	\$4.08	\$8.12	\$97.44
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,812.81	\$72.50	\$1,740.31	\$0.58	\$6.96	\$13.81	\$165.72
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$725.44	\$36.27	\$689.17	\$0.29	\$3.48	\$5.47	\$65.64
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,504.16	\$75.18	\$1,428.98	\$0.60	\$7.20	\$11.34	\$136.08
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,108.36	\$55.40	\$1,052.96	\$0.44	\$5.28	\$8.36	\$100.32
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,910.91	\$95.54	\$1,815.37	\$0.76	\$9.12	\$14.41	\$172.92
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$731.75	\$47.54	\$684.21	\$0.38	\$4.56	\$5.43	\$65.16
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,542.82	\$100.30	\$1,442.52	\$0.80	\$9.60	\$11.44	\$137.28
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,119.40	\$72.76	\$1,046.64	\$0.58	\$6.96	\$8.30	\$99.60
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,925.10	\$125.11	\$1,799.99	\$0.99	\$11.88	\$14.29	\$171.48
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$800.21	\$106.02	\$694.19	\$0.84	\$10.08	\$5.51	\$66.12
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,660.52	\$220.01	\$1,440.51	\$1.75	\$21.00	\$11.43	\$137.16
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,233.25	\$163.38	\$1,069.87	\$1.30	\$15.60	\$8.49	\$101.88
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,075.88	\$275.04	\$1,800.84	\$2.18	\$26.16	\$14.30	\$171.60

Financial subcommittee recommendations for FY20

- No change to claim liability or minimum reserve methodologies
 - FY20 projected claim liability: \$64.4M; to be refreshed early 2019 based on updated lag factor analysis
 - FY20 projected minimum reserve: \$25.5M
- Spread FY19 surplus over two years
 - Use \$26.1M in surplus in FY20 and remaining \$26.1M surplus in FY21 based on the updated FY19 Q2 financial projections
 - Revisit surplus smoothing methodology annually
- Health Policy & Planning Subcommittee recommendations for FY20 yield estimated \$9.6M in claim cost avoidance
 - Based on the most recent financial projections assuming 5% trend and recommended FY20 program changes, FY20 premiums will need to increase by **0.8% effective 7/1/2019** to produce \$26.1M surplus in FY20

Appendix



Health care budget development

Assumption and pricing analysis details



- **Claims experience** provided by vendors (Highmark, Aetna, and ESI) reflect paid claims and enrollment for the most recent available 24 months, or two experience periods (1/1/2017 – 12/31/2018)
- Claims experience adjusted for **claim offsets** from pharmacy rebates and EGWP funding
- **Incurred But Not Reported (IBNR)** adjustments convert paid claims to an incurred basis based on the lag between when a claim is incurred and when it is paid
- **Exposure** adjustments convert claims experience into a *per adult* equivalent claims cost
- **Inflation and trend** adjustments increase the claims costs to reflect expected year-over-year increases to the cost of services
- **Plan Design** adjustments applied to the claims costs to reflect any plan design changes or movement across plans, and are based on the relative difference in *actuarial value* of the plans
- **Vendor adjustments** reflect results from medical TPA RFP and other adopted vendor initiatives
- **Self-insured fixed costs** are added to the adjusted claims cost to develop the **total budget**; this includes administrative service fees and operational expenses

WTW projected total budget is based on a best estimate of projected GHIP expenses (claims, fees, etc.) and does not assume any surplus offset or deficit recoup based on current Fund balance

GHIP long term health care cost projections (FY19 Q1 update¹)

Subcommittee recommendations including 3.2% premium increase, FY20 program changes and smoothing surplus over 2 years

FY20 reflects employee contribution increases of \$0.89 – \$8.73 per month (\$10.68 – \$104.76 per year) and State subsidy increases of \$21.36 – \$57.17 per employee per month (\$256.32 – \$686.04 per year) effective 7/1/2019

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected ¹	FY20 Projected ^{1,7}	FY21 Projected ⁷	FY22 Projected ⁷	FY23 Projected ⁷
Average Enrolled Members	123,132	125,488	125,861	128,308	130,874	133,491	136,161
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$814.8	\$831.1	\$847.7	\$864.7	\$882.0
3.2% Premium Increase 7/1/2019 (+2% FY21+)	-	-	-	\$26.6	\$43.9	\$62.5	\$82.2
Other Revenues ³	\$81.6	\$92.1	\$88.6	\$99.3	\$106.3	\$113.8	\$121.9
Total Operating Revenues	\$880.6	\$903.0	\$903.5	\$957.0	\$997.9	\$1,041.0	\$1,086.1
GHIP Expenses (Claims/Fees)							
Operating Expenses (No Change)	\$816.8	\$853.9	\$921.6	\$985.6	\$1,055.6	\$1,130.5	\$1,210.8
% Change Per Member	1.8%	2.6%	7.4%	4.9%	5.0%	5.0%	5.0%
FY20 Program Changes ⁴				(\$9.6)	(\$10.1)	(\$10.6)	(\$11.1)
Excise Tax Liability ⁵						\$9.1	\$16.3
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	(\$18.1)	(\$19.0)	(\$47.6)	(\$88.0)	(\$129.9)
Balance Forward	\$38.9	\$102.7	\$151.8	\$133.7	\$114.7	\$67.1	(\$20.9)
Ending Balance	\$102.7	\$151.8	\$133.7	\$114.7	\$67.1	(\$20.9)	(\$150.8)
- Less Claims Liability ⁶	\$54.0	\$58.9	\$61.3	\$64.9	\$69.5	\$75.1	\$80.9
- Less Minimum Reserve ⁶	\$24.0	\$24.0	\$24.3	\$25.7	\$27.5	\$29.7	\$31.8
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$48.1	\$24.1	(\$29.9)	(\$125.7)	(\$263.5)

Note: FY17 actual based on final June 2017 Fund Equity report; FY18 actual based on final June 2018 Fund Equity report; projected operating expenses based on experience through FY19 Q1; FY19 enrollment as of September 2018; reflects ESI FY17 Q4 restated claims; numbers in table may not add up due to rounding

¹ Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018 and implementation of SurgeryPlus COE effective 7/1/2019; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection).

² Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23.

³ Includes Rx rebates, EGWP payments, other revenues; includes fees for participating non-State groups (assumed to increase proportionally with membership growth and health care trend).

⁴ Includes estimated savings attributable to recommended changes eff. 7/1/2019: site-of-care steerage (\$6.9m), Highmark infusion therapy (\$2.0m), and Livongo (\$0.7m); assumed to increase annually with trend

⁵ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

⁶ FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

⁷ FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

FY20 monthly rates and employee/retiree contributions

Illustrative: **3.2%** increase effective 7/1/2019

FY20 reflects employee contribution increases of \$0.89 – \$8.73 per month (\$10.68 – \$104.76 per year) and State subsidy increases of \$21.36 – \$57.17 per employee per month (\$256.32 – \$686.04 per year) effective 7/1/2019

	FY 2019			FY 2020 with 3.2% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$717.61	\$28.73	\$688.88	\$0.89	\$10.68	\$21.36	\$256.32
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,484.72	\$59.36	\$1,425.36	\$1.84	\$22.08	\$44.20	\$530.40
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,090.84	\$43.61	\$1,047.23	\$1.35	\$16.20	\$32.47	\$389.64
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,855.97	\$74.22	\$1,781.75	\$2.30	\$27.60	\$55.25	\$663.00
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$742.71	\$37.13	\$705.58	\$1.15	\$13.80	\$21.88	\$262.56
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,539.97	\$76.97	\$1,463.00	\$2.39	\$28.68	\$45.36	\$544.32
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,134.75	\$56.72	\$1,078.03	\$1.76	\$21.12	\$33.43	\$401.16
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,956.40	\$97.81	\$1,858.59	\$3.03	\$36.36	\$57.63	\$691.56
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$749.17	\$48.67	\$700.50	\$1.51	\$18.12	\$21.72	\$260.64
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,579.56	\$102.68	\$1,476.88	\$3.18	\$38.16	\$45.80	\$549.60
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,146.06	\$74.49	\$1,071.57	\$2.31	\$27.72	\$33.23	\$398.76
Family	\$1,909.82	\$124.12	\$1,785.70	\$1,970.93	\$128.09	\$1,842.84	\$3.97	\$47.64	\$57.14	\$685.68
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$819.26	\$108.55	\$710.71	\$3.37	\$40.44	\$22.03	\$264.36
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,700.05	\$225.24	\$1,474.81	\$6.98	\$83.76	\$45.73	\$548.76
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,262.61	\$167.27	\$1,095.34	\$5.19	\$62.28	\$33.96	\$407.52
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,125.30	\$281.59	\$1,843.71	\$8.73	\$104.76	\$57.17	\$686.04

GHIP long term health care cost projections (FY19 Q2 update¹)

FY20 program changes, smoothing surplus over 2 years, **+5.0% premium increase in FY20 (+2% FY21+)**

FY20 reflects employee contribution increases of \$1.39 – \$13.64 per month (\$16.68 – \$163.68 per year) and State subsidy increases of \$33.38 – \$89.33 per employee per month (\$400.56 – \$1,071.96 per year) effective 7/1/2019

GHIP Costs (\$ millions)	FY17 Actual	FY18 Actual	FY19 Projected ¹	FY20 Projected ^{1,8}	FY21 Projected ⁸	FY22 Projected ⁸	FY23 Projected ⁸
Average Enrolled Members	123,132	125,488	126,198	128,722	131,296	133,922	136,600
GHIP Revenue							
Premium Contributions (Increasing with Enrollment) ²	\$799.0	\$810.9	\$815.7	\$830.0	\$846.6	\$863.5	\$880.8
5.0% Premium Increase 7/1/2019 (+2% FY21+)	-	-	-	\$41.5	\$59.3	\$77.7	\$96.9
Other Revenues ³	\$81.6	\$92.1	\$90.2	\$107.4	\$115.1	\$123.3	\$132.1
Total Operating Revenues	\$880.6	\$903.0	\$905.9	\$978.9	\$1,021.0	\$1,064.5	\$1,109.8
GHIP Expenses (Claims/Fees)							
Operating Expenses ⁴	\$816.8	\$853.9	\$920.0	\$975.4	\$1,044.7	\$1,118.9	\$1,198.3
% Change Per Member	1.8%	2.6%	7.1%	3.9%	5.0%	5.0%	5.0%
FY20 Program Changes ⁵				(\$9.6)	(\$10.1)	(\$10.6)	(\$11.1)
Excise Tax Liability ⁶						\$9.1	\$16.3
Adjusted Net Income (Revenue less Expense)	\$63.8	\$49.1	(\$14.1)	\$13.1	(\$13.6)	(\$52.9)	(\$93.7)
Balance Forward	\$38.9	\$102.7	\$151.8	\$137.8	\$150.8	\$137.2	\$84.3
Ending Balance	\$102.7	\$151.8	\$137.8	\$150.8	\$137.2	\$84.3	(\$9.4)
- Less Claims Liability ⁷	\$54.0	\$58.9	\$61.3	\$64.4	\$69.0	\$74.5	\$80.2
- Less Minimum Reserve ⁷	\$24.0	\$24.0	\$24.3	\$25.5	\$27.3	\$29.5	\$31.6
GHIP Surplus (After Reserves/Deposits)	\$24.7	\$68.9	\$52.2	\$60.9	\$40.9	(\$19.7)	(\$121.2)

Note: FY17 actual based on final June 2017 Fund Equity report; FY18 actual based on final June 2018 Fund Equity report; projected operating expenses based on experience through FY19 Q2; FY19 enrollment as of December 2018; numbers in table may not add up due to rounding

¹ Includes approved design changes for site-of-care steerage for imaging/outpatient lab and COE services and proposed design changes for \$0 statin coverage and preventive 3D mammography effective 7/1/2018 and implementation of SurgeryPlus COE effective 7/1/2019; includes financial impact of legislative bills impacting GHIP (\$1.2m increase to FY19 budget and \$2.4m increase to FY20 projection).

² Includes State and employee/pensioner premium contributions; assumes 2% annual enrollment growth for FY20-FY23.

³ Includes Rx rebates, EGWP payments, other revenues; FY20 and beyond includes estimated improvements in Rx rebates based on preliminary ESI FY20 renewal; includes fees for participating non-State groups (assumed to increase proportionally with membership growth and health care trend).

⁴ FY20 and beyond includes estimated reduction in pharmacy claims as a result of preliminary ESI FY20 renewal.

⁵ Includes estimated savings attributable to recommended changes eff. 7/1/2019: site-of-care steerage (\$6.9m), Highmark infusion therapy (\$2.0m), and Livongo (\$0.7m); assumed to increase annually with trend

⁶ 40% excise tax on the value of employer sponsored health care coverage over specified thresholds starting CY 2022. Threshold assumed to increase at 2% annually

⁷ FY19 Claims Liability and FY19 Minimum Reserve levels updated with data through June 2018; future years assumed to increase with overall GHIP expense growth

⁸ FY20-FY23 projections based on 5% composite trend (assumes 6% underlying trend less 1% for future GHIP cost reduction initiatives); assumes no additional program changes in FY20; assumes 2% annual growth in GHIP membership.

FY20 monthly rates and employee/retiree contributions

Illustrative: **5.0%** increase effective 7/1/2019

FY20 reflects employee contribution increases of \$1.39 – \$13.64 per month (\$16.68 – \$163.68 per year) and State subsidy increases of \$33.38 – \$89.33 per employee per month (\$400.56 – \$1,071.96 per year) effective 7/1/2019

	FY 2019			FY 2020 with 5.0% Increase			\$ Change Employee/ Pensioner Contribution		\$ Change State Subsidy	
	Rate	Employee Contribution	State Subsidy	Rate	Employee Contribution	State Subsidy	Monthly	Annual	Monthly	Annual
First State Basic										
Employee	\$695.36	\$27.84	\$667.52	\$730.13	\$29.23	\$700.90	\$1.39	\$16.68	\$33.38	\$400.56
Employee + Spouse	\$1,438.68	\$57.52	\$1,381.16	\$1,510.61	\$60.40	\$1,450.21	\$2.88	\$34.56	\$69.05	\$828.60
Employee + Child	\$1,057.02	\$42.26	\$1,014.76	\$1,109.87	\$44.37	\$1,065.50	\$2.11	\$25.32	\$50.74	\$608.88
Family	\$1,798.42	\$71.92	\$1,726.50	\$1,888.34	\$75.52	\$1,812.82	\$3.60	\$43.20	\$86.32	\$1,035.84
CDH Gold										
Employee	\$719.68	\$35.98	\$683.70	\$755.66	\$37.78	\$717.88	\$1.80	\$21.60	\$34.18	\$410.16
Employee + Spouse	\$1,492.22	\$74.58	\$1,417.64	\$1,566.83	\$78.31	\$1,488.52	\$3.73	\$44.76	\$70.88	\$850.56
Employee + Child	\$1,099.56	\$54.96	\$1,044.60	\$1,154.54	\$57.71	\$1,096.83	\$2.75	\$33.00	\$52.23	\$626.76
Family	\$1,895.74	\$94.78	\$1,800.96	\$1,990.53	\$99.52	\$1,891.01	\$4.74	\$56.88	\$90.05	\$1,080.60
Aetna HMO										
Employee	\$725.94	\$47.16	\$678.78	\$762.24	\$49.52	\$712.72	\$2.36	\$28.32	\$33.94	\$407.28
Employee + Spouse	\$1,530.58	\$99.50	\$1,431.08	\$1,607.11	\$104.48	\$1,502.63	\$4.98	\$59.76	\$71.55	\$858.60
Employee + Child	\$1,110.52	\$72.18	\$1,038.34	\$1,166.05	\$75.79	\$1,090.26	\$3.61	\$43.32	\$51.92	\$623.04
Family	\$1,909.82	\$124.12	\$1,785.70	\$2,005.31	\$130.33	\$1,874.98	\$6.21	\$74.52	\$89.28	\$1,071.36
Comprehensive PPO										
Employee	\$793.86	\$105.18	\$688.68	\$833.55	\$110.44	\$723.11	\$5.26	\$63.12	\$34.43	\$413.16
Employee + Spouse	\$1,647.34	\$218.26	\$1,429.08	\$1,729.71	\$229.17	\$1,500.54	\$10.91	\$130.92	\$71.46	\$857.52
Employee + Child	\$1,223.46	\$162.08	\$1,061.38	\$1,284.63	\$170.18	\$1,114.45	\$8.10	\$97.20	\$53.07	\$636.84
Family	\$2,059.40	\$272.86	\$1,786.54	\$2,162.37	\$286.50	\$1,875.87	\$13.64	\$163.68	\$89.33	\$1,071.96

GHIP claim liability and reserve methodology

Alternatives for consideration (details in Appendix)

- Financial Subcommittee reviewed current methodology for setting the claim liability

Methodology	Description	FY19 Claim Liability
Current	Estimated incurred but not paid (“IBNP”) liability based on Aetna, Highmark, and ESI lag factors	\$61.3M

- Financial Subcommittee also reviewed alternative methodologies for setting the minimum reserve level for GHIP

Methodology	Description	FY19 Reserve
Current	Upper bound of 97% confidence for WTW claim variability tool	\$24.3M
Alternative 1	Upper bound of 98.5% confidence for WTW claim variability tool	\$27.1M
Alternative 2	Upper bound of 98.5% confidence for WTW claim variability tool plus 1% load for potential population health risk volatility	\$35.1M

- Continue to review claim liability on a quarterly basis and minimum reserve on an annual basis

GHIP surplus modeling

Scenarios for consideration

- Using surplus to minimize annual premium increases may put a strain on future revenues needed to keep pace with health care cost trend
- GHIP surplus projected to be \$48.1M by the end of FY19, based on assumptions outlined on page 2
- Financial Subcommittee discussed spreading the FY19 surplus level (\$48.1M) over multiple years, rather than using the full amount to offset costs in FY20
 - Each scenario reviewed included a corresponding premium contribution increase to “balance” the fund (\$0 surplus) by FY21 or FY22
 - Avoid the need for a more significant increase in a future year, which could be further exacerbated in a year of poor claims experience
- The following scenarios were considered:
 - Spread \$48.1M surplus over 2 years (use \$24.0M surplus in FY20 by increasing premiums 4.5%* effective 7/1/2019)
 - Spread \$48.1M surplus over 3 years (use \$16.0M surplus in FY20 by increasing premiums 5.4%* effective 7/1/2019)
- Recommendation intended to address both current fund surplus, and available surplus in future years – Subcommittee may choose to revisit smoothing duration in the future

* Required premium increase assuming no program changes for FY20; if SEBC approves recommended FY20 program changes yielding \$9.6M in savings, required premium increases drop to 3.2% (2 year smoothing) and 4.2% (3 year smoothing)

Reserve and claim liability discussion

Current claim liability methodology

Claims Liability Targets by Quarter

12/31/16	3/31/17	6/30/17	9/30/17	12/31/17	3/31/18	6/30/18
\$54.3m	\$54.3m	\$56.5m	\$59.5m	\$58.9m	\$58.9m	\$61.3m

- Recommended Claim Liability target is based on estimated incurred but not paid (“IBNP”) liability as of 6/30/2018
 - Medical Claim Liability (Highmark and Aetna): \$52.8M
 - Pharmacy Claim Liability (ESI Commercial and EGWP): \$8.5M
- IBNP liability is based on paid claims for the period 7/1/2017 – 6/30/2018 and lag factors developed by Willis Towers Watson as of 6/30/2018
 - Lag factors represent the average period of time between when a claim is incurred and then paid by the State, and were developed separately for Aetna, Highmark, and ESI based on data provided by each vendor
 - Lag factors are reviewed and updated (if needed) annually
 - Claim Liability target is updated quarterly based on most recent 12 months of paid claims data
- IBNP liability has been increasing over time, driven by an increase in paid claim levels and an increase in Aetna’s lag factor